



Request for City Council Committee Action from the Department of Community Planning and Economic Development - CPED

Date: October 8, 2013

To: Council Member Lisa Goodman, Chair, Community Development Committee

Subject: West Broadway Curve - Public Hearing and Request for Final Approval of up to \$3.8 million in Tax Exempt Multi-family Housing Entitlement Revenue Bonds

Recommendation: Adopt the attached Resolution giving Final Approval of up to \$3.8 million in Tax-Exempt Multi-family Housing Entitlement Revenue Bonds for the West Broadway Curve Multi-Family Housing.

Previous Directives: On January 31, 2012, the Minneapolis City Council approved up to \$750,000 in Affordable Housing Trust Funds for this project. On March 8, 2012, the Minneapolis City Council authorized preliminary approval for the issuance of up to \$5.8 million in Tax-Exempt Multi-Family Housing entitlement Revenue Bonds for this project. On July 20, 2012, the Minneapolis City Council approved exclusive development rights for the above noted City-owned parcels for CommonBond Communities for a period of twelve (12) months. On, January 25, 2013, the Minneapolis City Council authorized the acceptance of a \$1 million LCDA grant for this project. On January 25, 2013, the Minneapolis City Council approved the submittal of a DEED Redevelopment Grant application for this project. On April, 16, 2013, the Minneapolis City Council approved up to \$345,000 in supplemental Affordable Housing Trust Funds for this project.

Prepared by: Tiffany Glasper, CPED Senior Project Coordinator (612) 673-5221

Approved by: Thomas A. Streitz, Director, Housing Policy & Development _____

Charles T. Lutz, CPED Deputy Director _____

Presenter in Committee: Tiffany Glasper

Financial Impact

- The project will generate semi-annual administrative fees.

Community Impact

- Neighborhood Notification – The Jordan Area Community Council has been afforded an opportunity to review and comment on the development proposal and has provided City staff and the developer with a letter of support.

- City Goals: A Safe Place To Call Home; Eco-Focused; Many People, One Minneapolis; Jobs & Economic Vitality; Livable Communities, Healthy Lives; A City That Works
- Sustainability Targets: Affordable Housing Units – new construction.
- Comprehensive Plan: 4.10 Minneapolis will increase its housing that is affordable to low and moderate income households. 4.9.1 Minneapolis will grow by increasing its supply of housing. 4.11 Minneapolis will improve the availability of housing options for its residents.
- Zoning Code: The proposed development complies or will comply with the zoning code.

Supporting Information

CommonBond Communities is proposing to purchase the City-owned properties at 1926, 1930, 1936, 2000, 2004, 2006, 2010, 2014, 2018 and 2022 West Broadway Avenue for the purposes of constructing a three story building containing approximately 158,000 total square feet.

The parcels, individually and assembled, are buildable as defined by City policy and they are being sold to the developer for mixed-use redevelopment.

The building will house 54 units of mixed income rental housing on the second and third floors and the first level will house resident services and community space. Sixty-seven percent of the units (36) will be affordable at or below 50% MMI, 33% of the units (18) will be affordable at or below 60% MMI.

The project will also include space for resident services, such as literacy training, job skills training and placement and adult education programs provided through CommonBond's Advantage Program.

CommonBond is including underground parking, CPTED design elements, pedestrian-scale improvements and amenities, public green space, public art, a tot lot, TOD design elements and attractive façade elements as part of this project.

The City-owned properties are currently vacant lots purchased at multiple times over the last 10 years. Prior to demolition, the properties were occupied by a variety of blighted residential structures.

Financing Information

The total development cost (TDC) of the project is estimated at \$11.42 million and the project has already been approved for \$1,095,000 in Affordable Housing Trust Funds and \$30,000 in City Non Profit Administration grant funds.

The project is currently 97% funded, having secured funds from DEED, Minnesota Housing, Hennepin County, City of Minneapolis Affordable Housing Trust Fund, Met Council and the Federal Home Loan Bank.

In addition to these capital funding sources, the Basilica of St. Mary has committed over \$1 million for predevelopment costs and services funding at the project.

CommonBond Communities has now submitted an application for housing entitlement revenue bond (HRB) financing and is requesting the issuance of up to \$3.8 million in tax-exempt housing revenue bonds from the City's 2012 entitlement allocation. The issue will be bifurcated into a Series A of \$2,200,000 structured as permanent debt and Series B bonds estimated at \$1,600,000 which will be structured as interim financing to be replaced with tax credit equity. The use of housing entitlement revenue bonds also automatically includes the availability of 4% low income housing tax credits, which in this case are expected to generate \$4,037,540 in syndication proceeds.

Assuming the funding mentioned above is approved as requested, the West Broadway Curve project will leverage about \$7.8 million in non-local funding sources. These sources represent about 67% of the combined total development cost (TDC) of \$11.42 million. Further analysis of the financing of the project shows that public funding makes up approximately 33 % of the total development cost and private funds make up the remaining 67%.

Minnesota Housing is also providing up to \$2.4 million in bonds for this project. The state received a special appropriation of \$30 million of Housing Infrastructure Bonds to provide financing for certain affordable housing projects. The state originally intended for these bonds to not be private activity bonds, however upon review by legal counsel Minnesota Housing was advised that these bonds, in fact, do need to be private activity bonds that would count toward the "fifty percent test". MN Housing will make a forgivable loan of the bond proceeds directly to CommonBond Communities and CommonBond Communities will make a repayable loan to the partnership.

Please refer to the attached Project Data Worksheet for more information on proposed funding sources.

The developer has proposed a total developer fee of approximately \$1.06 million that represents 9.1% of the total development cost, which is in compliance with the CPED Housing Developer Fee Policy.

The current status of the 2011/2012, 2013 HRB Entitlement allocation is shown below.

2011 Allocation Remaining	\$10,932,416
Penalty Allocation	3,729,653
2012 Entitlement Allocation	45,675,992
2013 Entitlement Allocation	45,968,905
TOTAL	\$106,306,966
Currie Park P	(\$27,000,000)
Hi-Lake Triangle (F)	(\$ 6,500,000)
Seward Square(F)	(\$ 6,500,000)
Commons@ Penn(P)	(\$ 5,000,000)
Pillsbury A Mill(F)	(\$30,000,000)
Snelling Apartments(F)	(\$ 8,000,000)

Greenway Heights (P)	(\$ 6,000,000)
West Broadway Curve (F)	(\$ 3,800,000)
Balance Available for Other Projects	\$ 13,506,966

Bond Purchaser/Underwriter Bank of America
 Bond Counsel Leonard Street and Deinard
 Council Member Informed Yes, Ward 5
(P= preliminary approval F=final)approval

Attachments

- Project Data Worksheet
- Resolution

RESOLUTION
Of the
City of Minneapolis

**Authorizing the issuance, sale and delivery of multifamily housing
revenue bonds for the West Broadway Crescent Apartments Project
and the execution and delivery of related documents**

BE IT RESOLVED by the City Council (the "**City Council**") of the City of Minneapolis (the "**City**") as follows:

1. The City is authorized by the laws of the State of Minnesota, particularly Minnesota Statutes, Chapter 462C, as amended (the "**Act**"), to carry out the public purposes described therein by issuing its revenue bonds to finance multifamily rental housing developments and by entering into any agreements made in connection therewith and pledging them as security for the payment of the principal of and interest on any such bonds.
2. CB West Broadway Limited Partnership, a Minnesota limited partnership (the "**Borrower**"), has requested the City to issue revenue bonds to finance the acquisition and construction of a 54-unit multifamily rental housing development and facilities functionally related and subordinate thereto, located at 1926-2022 West Broadway, in the City (the "**Project**").
3. The City proposes to issue its Multifamily Housing Revenue Bonds (West Broadway Crescent Apartments) Series 2013A and Series 2013B (together, the "**Bonds**") pursuant to the Act, this Resolution, the Program described below, and a Trust Indenture (the "**Indenture**"), by and between the City and U.S. Bank National Association, as trustee (the "**Trustee**").
4. The Bonds and the interest thereon shall be payable solely from the revenues pledged thereto under the Indenture. The Bonds shall not constitute a debt of the City within the meaning of any constitutional or statutory limitation on indebtedness. The Bonds shall not constitute or give rise to a pecuniary liability of the City or a charge against its general credit or taxing powers and shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property of the City other than the City's interest in the trust estates pledged thereto.
5. In order to comply with certain requirements of the Act, in 2012, following a public hearing for which notice was duly published in accordance with the Act, the City adopted a Program for a Multifamily Housing Development (West Broadway Curve) (the "**Program**"). Further, to comply with the requirements of Section 147(f) of the Internal Revenue Code of

1986, as amended (the "**Code**"), the Community Development Committee of the City Council on October 8, 2013, held an additional public hearing for which notice was duly published in accordance with the Code regarding the issuance of the Bonds.

6. For the purpose of financing the Project the City hereby authorizes the issuance of the Bonds. The Bonds shall bear interest at such rates, shall be in such denomination, shall be numbered, shall be dated, shall mature, shall be subject to redemption prior to maturity, shall be in such form, and shall have such other details and provisions as are prescribed by the Indenture. The Bonds shall be special obligations of the City payable solely from the revenues of the Project and other revenues available therefore, in the manner provided in the Indenture. The Bonds do not constitute an indebtedness, liability, general or moral obligation (except to the extent of the trust estate pledged under the Indenture) or a pledge of the faith and credit or any taxing power of the City, Hennepin County (the "**County**"), the State of Minnesota, or any political subdivision thereof. The City hereby authorizes and directs the execution of the Bonds in accordance with the Indenture, and hereby provides that the Indenture shall provide the terms and conditions, covenants, rights, obligations, duties, and agreements of the bondholders, the City, and the Trustee as set forth therein.

7. The following documents relating to the Bonds have been submitted to the City for approval:

- (a) Indenture;
- (b) Loan Agreement, by and between the City, the Borrower and the Trustee, providing for the loan by the City of proceeds of the Bonds to the Borrower;
- (c) Assignment of Mortgage, by the City in favor of the Trustee; and
- (d) Regulatory Agreement, by and between the City, the Borrower and the Trustee

The documents listed in (a) through (d) above are hereby referred to as the "**Documents**".

8. The Borrower has negotiated the private placement of the Bonds with Bank of America, N.A. or an affiliate thereof (the "**Purchaser**"), and the City authorizes the sale and delivery of the Bonds to the Purchaser at a price equal to the principal amount thereof upon satisfaction of conditions set forth in the Indenture.

9. The City Council hereby authorizes and directs the Finance Officer of the City (the "**Finance Officer**") to execute and deliver the Documents on behalf of the City. All of the provisions of the Documents, when executed as authorized herein, shall be deemed to be a

part of this resolution as fully and to the same extent as if incorporated herein and shall be in full force and effect from the date of execution and delivery thereof. The Documents shall be substantially in the forms on file with the City, which are hereby approved, with such necessary or desirable and appropriate variations, omissions and insertions as approved by the Finance Officer, and the execution thereof on behalf of the City shall be conclusive evidence of such approval.

10. The Finance Officer is authorized and directed to execute and deliver any and all certificates, agreements or other documents which are necessary or convenient in connection with the issuance of the Bonds and the delivery of the Documents or any other agreements, certificates or documents which are deemed necessary by bond counsel to evidence the validity or enforceability of the Bonds, the Indenture or the other documents referred to in this Resolution, or to evidence compliance with Section 142(d) of the Internal Revenue Code of 1986, as amended; and all such agreements or representations when made shall be deemed to be agreements or representations, as the case may be, of the City.

11. The Trustee is hereby appointed as Paying Agent and Bond Registrar for the Bonds.

12. No covenant, stipulation, obligation or agreement herein contained or contained in the Documents shall be deemed to be a covenant, stipulation, obligation or agreement of any member of the City Council, or any officer, agent or employee of the City in that person's individual capacity, and neither the City Council nor any officer or employee executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

No provision, covenant or agreement contained in the Documents, the Bonds or in any other document related to the Bonds, and no obligation therein or herein imposed upon the City or the breach thereof, shall constitute or give rise to any pecuniary liability of the City or any charge upon its general credit or taxing powers. In making the agreements, provisions, covenants and representations set forth in the Documents, the City has not obligated itself to pay or remit any funds or revenues, other than funds and revenues derived from the Loan Agreement and related security instruments which are to be applied to the payment of the Bonds, as provided therein and in the Indenture.

Except as herein otherwise expressly provided, nothing in this resolution or in the aforementioned documents expressed or implied, is intended or shall be construed to confer upon any person or firm or corporation, other than the City or any holder of the Bonds issued under the provisions of this resolution, any right, remedy or claim, legal or equitable, under and by reason of this resolution or any provision hereof, this resolution, the aforementioned documents and all of their provisions being intended to be and being for the sole and exclusive benefit of the City and any holder from time to time of the Bonds issued under the provisions of this resolution.

13. In case any one or more of the provisions of this resolution, or of the Documents, or of the Bonds issued hereunder shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this resolution, or of the Documents, or of the Bonds, but this resolution, the Documents, and the Bonds shall be construed and endorsed as if such illegal or invalid provision had not been contained therein.

14. The officers of the City and its attorneys, agents and employees are hereby authorized to do all acts and things required of them by or in connection with this resolution, the Documents, and the Bonds for the full, punctual and complete performance of all the terms, covenants and agreements contained in the Bonds, the Documents and this resolution. In the event that for any reason the Finance Officer is unable to carry out the execution of any of the Documents or other acts provided herein, the Acting Finance Officer shall be authorized to act in his capacity and undertake such execution or acts on behalf of the City with full force and effect, which execution shall be valid and binding on the City.

15. This resolution shall be in full force and effect from and after its passage.